

Message Text

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ACTION EA-12

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C O N F I D E N T I A L TOKYO 13024

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EA ONLY FOR HEGINBOTHAM

E.O. 11652: GDS
TAGS: ETRD, JA, US
SUBJECT: DEPUTIES MEETING - JAPAN DRAFT

1. EMBASSY FULLY SHARES YOUR VIEW IMPLICIT IN POLICY DRAFT BROUGHT TO US BY ALAN ROMBERG THAT WE SHOULD NOT RELAX IN OUR EFFORTS TO KEEP JAPANESE ATTENTION FOCUSED ON THEIR INTERNATIONAL RESPONSIBILITIES TO REDUCE LARGE CURRENT ACCOUNT SURPLUS. FUKUDA APPARENTLY MADE CLEAR AT BONN SUMMIT THAT JAPAN UNDERSTANDS THE PROBLEM, AND INTENDS TO DO WHATEVER IT CAN. THERE IS FULL AGREEMENT THAT MUCH MORE NEEDS TO BE DONE. BUT WE DO NOT FEEL IT SERVES OUR MUTUAL CONCERN FOR MAINTAINING STABLE OVER-ALL U.S.-JAPAN RELATIONS TO ADOPT TONE, EVEN WITHIN USG CIRCLES, THAT IMPLIES JAPAN HAS WILLFULLY DISREGARDED INTENTIONAL COMMITMENTS OR DELIBERATELY ADOPTED ECONOMIC POLICIES THAT HAVE ONLY COSMETIC EFFECT, OR ADOPTED AGGRESSIVE PUBLIC STANCE BASED ON SPURIOUS ASSERTIONS.

2. EMBASSY HAS DONE A NEW DRAFT (SEPTTEL) OF PAPER CARRIED BY ROMBERG WHICH, INTER ALIA, REFLECTS FOLLOWING EMBASSY PERCEPTIONS OF WHERE WE NOW ARE:

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(A) RE "COMMITMENT" TO ACHIEVE C/A SURPLUS OF \$6 BILLION STRAUSS-USHIBA COMMUNIQUE IN NO PLACE MENTIONS \$6 BILLION FIGURE. SEE TOKYO 11621 FOR OUR LATEST ESTIMATE OF PROBABLE CY-78 C/A SURPLUS - \$14 BILLION, NOT ALLOWING FOR UNSPECIFIED EMERGENCY IMPORTS.
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(B) EQUILIBRIUM IN MEDIUM TERM - WE FEEL IT IS TOO EARLY TO START LEVELING ACCUSATIONS. HERE ALSO THE COMMITMENT IS FOR REASONABLE EFFORTS AIMING AT EQUILIBRIUM.

(C) AS WE HAVE REPORTED, GOJ HAS IN MONTHS SINCE JANUARY COME UP WITH SEVERAL NEW ESTIMATES OF JFY C/A SURPLUS - SEE OUTCOME OF EC CONSULTATIONS (TOKYO 5002), AND GOJ OFFICIALS IMPLICITLY ACKNOWLEDGE \$6 BILLION C/A FORECAST NOT BEING ACHIEVED, BUT THEY STILL ANTICIPATE IMPROVEMENT (TOKYO 12563, PARA 3).

(D) "COMMITMENT" ON EXPORT RESTRAINT HAS BEEN CAREFULLY HANDLED BECAUSE OF OUR CONCERN ABOUT ANTI-TRUST IMPLICATIONS.

(E) JAPANESE POSTURE ON GROWTH TARGET HAS BEEN CONSISTENT THROUGH THE BONN SUMMIT. NO ONE CAN BE CERTAIN WHAT JFY-78 GROWTH WILL TURN OUT TO BE. UNLESS WASHINGTON HAS INFORMATION WE DO NOT HAVE, WE ARE UNWILLING TO CONCLUDE THAT PRIME MINISTER IS DISSEMBLING WHEN HE SAYS HE WILL INTRODUCE ADDITIONAL PUBLIC SPENDING AS NEEDED TO ASSURE 7 PERCENT IS ATTAINED.

(F) RECORD ON IMPORT LIBERALIZATION IS NOT WHOLLY UNSATISFACTORY. WHILE MTN OFFERS HAVE NOT MET OUR DEMANDS, THEY REPRESENT SUBSTANTIAL CUTS. TFC RECORD IS MIXED BUT CONFIDENTIAL

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MANY CASES SUBMITTED HAVE RUN INTO DEEPLY ENTRENCHED BUREAUCRACIES NOT SUBJECT TO INSTANT CONVERSION TO INTERNATIONALISM. IT IS NOT ACCURATE TO CHARACTERIZE DEPRESSED INDUSTRIES LAW OR YEN COUNTERMEASURES LAW AS "EXPORT SUBSIDY POLICIES." TO AN EXTENT NOT YET DETERMINED THESE LAWS MAY ENCOURAGE HELPFUL POSITIVE ADJUSTMENT.

(G) WE FAIL TO UNDERSTAND WHY WE SHOULD CRITICIZE EXPORT RESTRAINTS AS "NON-POLICY" IF EXPORTS ARE DECLINING FOR OTHER REASONS.

(H) EMERGENCY IMPORT PROGRAMS HAVE NOT PRODUCED RESULTS WE AND JAPANESE HOPED FOR, BUT NONE OF US SHOULD HAVE BEEN UNDER ANY ILLUSION THAT PRE-PAYMENTS AND STOCKPILING WOULD PRODUCE LONG-RANGE STRUCTURAL CHANGES. WE DID NOT EVEN GIVE JAPAN MUCH "CREDIT" FOR THESE PROGRAMS AND THERE SEEMS TO BE NO REASON TO FEIGN DISAPPOINTMENT NOW.

(I) IT SEEMS TO US THAT CONSIDERABLE CAUTION SHOULD BE EXERCISED IN DRAWING NEW SECTORS SUCH AS BANKING AND ACCOUNTING INTO THE PRESENT FRAMEWORK OF TRADE RELATIONS WITH JAPAN. IN THE CASE OF BANKING, FOR EXAMPLE, THIS

MIGHT BE FINE AND DANDY WITH SOME BANKERS HERE, BUT OTHERS, PERHAPS A LARGE MAJORITY, MIGHT QUESTION THE WISDOM OF SUCH ACTION. IN ANY EVENT, SUCH A DECISION SHOULD NOT BE TAKEN WITHOUT CONSULTATIONS WITH THE INDUSTRY CONCERNED. MANSFIELD

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